



TO THE

HOME-BUYING VETERAN

A GUIDE FOR
VETERANS
PLANNING TO
BUY OR BUILD
HOMES WITH A
GI LOAN



VETERANS' ADMINISTRATION WASHINGTON 25, D. C.

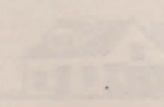
VA Pamphlet 4-10

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This pamphlet is designed to assist veterans who are planning to finance the purchase or construction of homes with GI loans guaranteed by the Veterans Administration. It does not attempt to discuss the arguments for or against home ownership. It is up to each veteran to decide for himself whether home ownership is best for his family.



Are You Planning to Buy a Home?

Since the end of World War II more than 3 million veterans have bought homes with the aid of GI loans under the guaranteed home loan program of the Veterans Administration. The great majority of these veterans have bought soundly constructed homes and are now making regular repayments on their mortgages as satisfied homeowners.

However, a relatively small percentage of these veterans have had just cause to be dissatisfied with the outcome of their venture into home ownership. It is hoped that this pamphlet, by stressing the important things that a prospective homeowner should know will help to reduce the number of such cases in the future.

Buying a home is usually the most important financial transaction in the lifetime of the average family. Before you decide to buy a house, therefore, you and your family should be certain that you are:

- Getting the right house—the one that suits the needs of your family.
- Aware of the responsibilities that home ownership brings.



The main purpose of the GI home loan program is to help veterans finance the purchase of reasonably priced homes with small down payments and at a low rate of interest. It encourages private lending institutions to make bigger loans than they otherwise could by guaranteeing part of the loan.

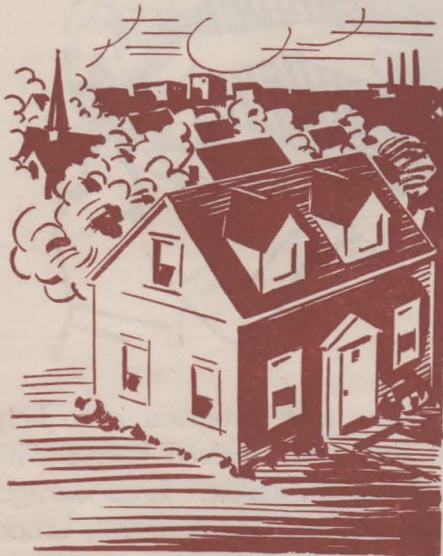
You make your own arrangements for the loan through the usual financing channels. VA then guarantees the lender against loss up to 60 percent of the loan, with a maximum guarantee of \$7,500 for home loans.

. . . DON'T BUY HASTILY

Remember, if you are a World War II veteran, you have until July 25, 1957, to use your GI loan entitlement.

But, if you are a veteran with service after June 27, 1950, you have 10 years after the end of the Korean emergency to use your GI loan entitlement. Don't buy hastily. Make your final decision only if you are sure that the price is right, the house is right, and that you are satisfied in all respects.

THIS pamphlet will discuss in some detail many of the important things you should know about and watch out for. They are:



1

**The Neighborhood, the Lot,
and the House**

should be satisfactory for the needs of your family. (See p. 6.)

2

**The Cost
of Home Ownership**

may be more than you had expected. Be sure that your income is large enough to pay for *all* such costs. (See p. 17.)





3

The Contract of Purchase

Deposits, purchase agreements, and sales contracts can get you into trouble. Make certain that your interests are protected before you make a deposit or sign any such documents. (See p. 20.)

4

"Final Settlement" or "Closing the Loan"

involves signing important legal documents at the time the loan is made. Be sure you understand what is in these documents before you sign. (See p. 23.)



5

Before and After Moving Day you will have several important things to take care of. (See p. 25.)

6

A GI Loan Must Be Repaid. GI loans offer many advantages to a veteran, but like any other debt must be paid back on schedule. (See p. 27.)

When you get a GI loan, Government rules and regulations protect you in some ways. But there are many important things that the Government cannot do for you; they are your responsibility. This pamphlet will point out to you what some of those things are. (See especially pages 28 and 29.)

1

The Neighborhood, The Lot, and The House

The Neighborhood

If you want to be entirely satisfied with your new home, be sure that you can answer yes to the following questions:

Is the house suitably located for schools, churches, shopping facilities, transportation, your place of work?

Is the neighborhood well maintained and are the other houses similar in type and price range to the one you wish to buy?

Does the area have local zoning laws or deed restrictions which will protect the neighborhood? Zoning laws and deed restrictions protect against such things as the building of commercial property in residential areas, and may regulate lot sizes and the types of houses that can be built in the area.

Is the house located so that you won't be bothered by noise, dirt, and danger from highways and other streets with heavy traffic?

If not already installed, will there be adequate streets, sidewalks, curbs, and gutters? These items are called "off site improvements," and you should be sure which of these improvements are included in the sale price of the house and that they will be provided without additional cost to you.

Remember that if "off site improvements," such as sidewalks, street curbs and pavements, storm sewers, sanitary sewers, etc., are not included in the purchase price, their cost may be assessed against you if they are installed by the city or county and you will have to pay for them later. It is a good idea to have the builder or seller list on the purchase agreement the "off site improvements" which are included in the sales price.

The Lot

In addition to the general location and neighborhood, you should make sure you are going to be satisfied with the size and shape of your lot, and with the existing or proposed lawn, shrubbery, walks, driveway, garage, etc.

If any additional work on the lot is to be done, make sure that the purchase agreement lists all such improvements which the builder will make as part of the purchase price. If you want to have play space for the children, or a garden, make sure that sufficient space is available.

Will the land be properly graded? If it is an existing house, take careful notice of the slope of the ground around the house. It should slope away from the house so that water will be carried away from the foundation; otherwise the water may cause trouble. If possible, check the lot after a heavy rain to see whether it drains properly.

The House Itself

If you buy a house with a GI loan, the Veterans Administration will make an appraisal of the property to be sure that the price you pay is not higher than the VA reasonable value. The VA appraisal thus gives you protection against paying an unreasonable price.

If you are building a home or buying a newly completed home with GI financing, the Government may inspect the property during construction. The Government inspections are to see to it that the house is constructed according to the plans and specifications originally filed with the VA and that it meets the *minimum* property requirements established by the Government.

This VA inspection service is valuable to you because it helps assure that your builder follows those construction practices advocated by the Government to assure a sound structure. It does not give you architectural supervision and does not assure you that you will be completely satisfied with what you get. Your main reliance must be on the reputation and integrity of the builder from whom you choose to buy.

But remember that the Government cannot guarantee to you that the house is properly constructed in all respects, nor can it guarantee that you will be satisfied with the house in every way. The responsibility of the Government is limited under the law. The Government is guaranteeing your loan but it cannot under the law guarantee your house.



Because of this it is very important that you have confidence in the ability and honesty of the company or person who is building or has built the house. If you have any doubts at all, be sure to get the advice of people you can trust who know the home building business. A few words of good advice from a responsible person who knows what he is talking about can save you years of future trouble.

If you plan to have a new house built according to your own plans, it would in all likelihood pay you to employ the services of an architect.

If you are buying an "old" house (that is, a house that has been previously occupied) there will of course be no Government inspection during construction. It is extremely important for you to make sure that the house is structurally sound. Here, too, the advice of someone who understands housing construction can be very helpful.

As you look over the house, your primary job is to make sure that the house meets the needs of your family. The checklist on pages 14 and 15 should help you in checking over the main features of the house. The following pointers are given to help you to know what to look for.

Floors

You should examine the floors very carefully to see that they are level and without serious surface defects. If it is a wood floor, take careful note to see that there are no worm holes, that the joints are tight, and that it has been properly sanded and finished. Small knots in the flooring do not mean necessarily that it is of poor quality, but they must be tight knots to be acceptable.

Wood flooring comes in a number of types. The two major types are: square blocks known as parquet flooring, and flooring that is in strips of various lengths known as strip flooring. Strip flooring varies in lengths, and use of too many short pieces can cause trouble. A good way to determine if the floor is well laid and tight is to walk over it slowly to make sure that there are no places where there is noticeable give under foot. If so, that part of the floor should be corrected.

Many new houses today have concrete floors covered with asphalt tile or wood flooring. Where asphalt tile is used, you should be able to tell readily whether the flooring is well laid and tight. It is particularly important that the joints be smooth.

In some climates you will notice a dark brown strip around the door frames and against some of the walls. This is a cork-type filler strip and is placed there, not to piece-out the flooring, but as an expansion joint so when the wood flooring expands, this cork-type strip will allow the flooring to move slightly without hurting anything. (In many climates it is not necessary to have this cork strip.)

Kitchen floors will usually be either linoleum or asphalt tile, and the bathroom floor will usually be either linoleum, asphalt tile, or ceramic tile. You should inspect these floors to see that the material has been laid in a workmanlike manner.

The asphalt tile or linoleum should be properly fitted around the corners and fixtures. If there should be cracked or chipped pieces, then you should require that these be corrected, because water will get down in these places and work its way under the asphalt tile or linoleum and loosen it from the floor, and you will have a poor floor.

Doors

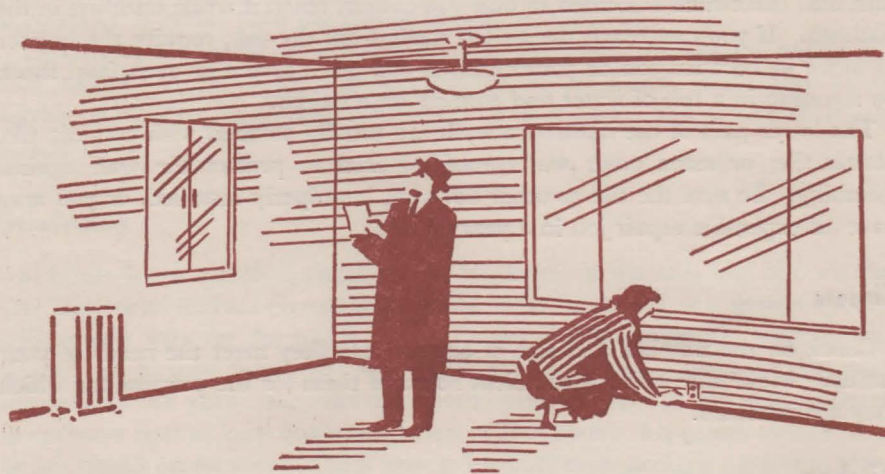
Take a good look at the front and rear doors, opening and closing them several times to see that they fit well. Large cracks can cause trouble although some clearance around the door is necessary. Both the front and rear doors should be provided with some type of weather stripping. While examining the doors, also look at the threshold, which is the separate piece installed under the door and fastened to the floor. This threshold or bottom piece should work in combination with the bottom weather stripping so as to keep out wind and rain.

Also inspect all of the interior doors. Make sure they all close and latch properly, and are not warped out of shape. Also look at the finish of all doors to make sure that the builder has painted or varnished them so that they will be protected against moisture.

Walls

Inspect the walls to see that they are of the material that you expected. There are two main types of inside wall finishes, known as "dry wall" and "plastered wall." The "dry wall" is a sheet rock board or fiber board that is placed on the walls and taped, and then painted, or papered; this provides a good finish that is very serviceable.

The "plastered wall" is constructed of lath and plaster. Experience has shown that both types of wall are satisfactory if properly finished. The walls will be painted or papered, and you should inspect the finish to see that it meets with your approval.



Electrical Outlets

While looking at the walls take time to note the electrical outlets, their locations, and if there are enough of them to meet your needs. The wall switches should be so you can reach them when you open the door. Make sure you have sufficient power-circuits to run whatever appliances or equipment

your family intends to use. Remember that some older houses were not originally wired to take care of the many electrical appliances and the equipment commonly used today.

Windows

Be sure there are enough windows to give proper light and ventilation and that they are located so that they will not interfere with your furniture arrangement. Try opening and closing all windows to see that they operate properly and especially whether or not they close tight to keep out the weather.

If you find the windows in a new house do not close tight, ask the builder to correct them before you move in. If you find the windows painted shut, be sure to have the builder free them because if you try to do it you might damage the window as well as ruin the paint.

Does your contract provide for screens? If not, keep in mind that you may wish to add them later. The same applies to storm windows and storm doors. If you think they will be necessary, allow for them in your estimate of total cost.

Bathrooms

The bathroom should be located near the bedrooms and preferably so that you don't have to enter through another room. Inspect the bathroom to see that the towel bars, soap dishes, and other fixtures that you contracted to get are installed and that you have a medicine cabinet properly located.

Examine the location of the wall switch for the light in the bathroom. Be sure that this switch is located so that you cannot reach it while standing in the bathtub. If you can reach the switch easily from the tub, require the builder to move it, because you or your children can get a severe or even fatal shock by standing in a tub of water and turning on a switch.

The lower part of the bathroom walls are usually covered with ceramic tile, plastic tile, or some other waterproof material to protect the wall against splashing. Be sure the tile or other covering is properly installed, or you may have an expensive repair job in a year or two.

Closets

Check on the number and size of closets. Do they meet the needs of your family? Make sure there is sufficient room in them for the purpose for which they are intended.

Kitchen

When you buy your home certain items of equipment for the kitchen may be included in the purchase price. Make sure of exactly what you are supposed to get, and have it in writing. Examine these pieces of equipment to make sure that you have received the make, size, and price range specified, or the equivalent. For example, do not accept a second-rate range or refrigerator when you

were supposed to get one of the best. Your sales contract should specify the type and size of kitchen and laundry equipment to be included in the purchase price. (The same goes for the water heater and furnace if you buy a new house before it is completed.)

Heating Unit

Naturally you are not a heating expert and you might ask the question, "what good would it do me to look at the furnace?" In the case of proposed construction, the builder will specify the make and the size of the unit and you can compare this with the one installed in the house.

There are many types of heating systems any of which are satisfactory when of proper capacity for the house. These will include warm air systems with ducts and outlets, hot water pipe and radiator types, and radiant pipe or panel types—these may be gas, oil, electric, or coal fired. Many systems have compact units of much smaller size than was true some years ago. The main concern is that the particular system has proper capacity for comfort and economy.

One thing you can check is the "B. T. U. Output." This is a measure of the amount of heat the furnace will give and controls your comfort during cold weather. Do not worry about the "B. T. U. Input," but if the specifications call for a "70,000 B. T. U. Output" furnace, do not accept a furnace marked with any figures less than this, because if you do you may not be able to heat your home properly or economically. If the builder has substituted a different make furnace with the same rating, then be sure the furnace that the builder installed is equal to or better than the one he should have put in.

Of course, if you live in a warm climate, less elaborate heating equipment may suffice. Furthermore, if you're buying an old house, you'll need expert advice on whether the heating system will be satisfactory, and as to what repairs it may need.

Insulation

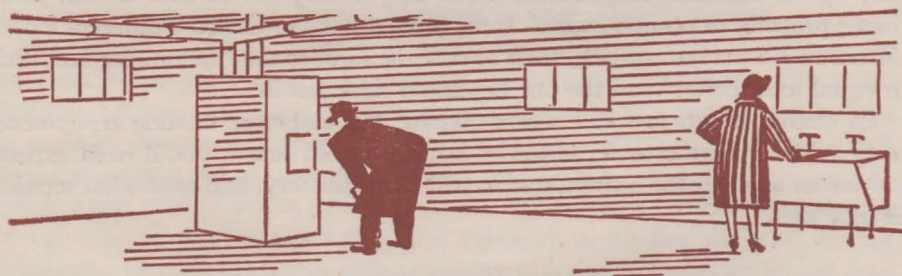
If insulation is specified, check on the insulation in the attic and also see that you have open louvers (ventilators) in the attic. A louver is a slatted opening with screen wire on the inside that provides circulation of air, summer and winter. It is very important that these attic vents or louvers be left open throughout the year. Occasionally, homeowners cover up the vent openings to conserve heat or keep out wind-driven rain or snow. Openings should never be left closed up for more than a very brief time, such as during a severe storm period. Closing up this ventilation area can produce excessive condensation and the resulting moisture may cause rapid deterioration of parts of the roof, walls, or ceiling.

In basementless houses with crawl spaces, foundation vent openings are for the same purpose of providing needed air circulation. It is important also that these foundation vents be left open the year round except for very brief periods

of severe storm. Where heavy treated ground cover paper or roofing has been laid over the entire ground surface in the crawl space, the need for foundation ventilation is much less. However, in all cases some ventilation is important not only to prevent excessive condensation and deterioration of floor construction and other parts of the house but also to maintain better safety. A tightly enclosed crawl space without any vents whatsoever could be a hazard where gas-fired or other type of unit heating systems are located within the crawl space and where sewer pipes are in this area and could cause small gas pockets if the under floor space is nearly airtight.

The insulation thickness should be checked, and if there is to be 2 inches then it must be 2 inches throughout the attic to provide the proper protection. The thickness of the insulation should increase in areas with colder winters: For instance, in the northern part of the United States you will find 4 inches of insulation, and in the extreme southern part of the United States the insulation will be in the house for protection from the heat rather than from the cold, therefore, it does not have to be thick.

There are a number of types of insulation which are satisfactory. Foil, fill, slab, or board types of insulation installed between, over, or under framing members will be effective when properly used. Check your specifications and ask questions. If you have a flat roof, the method of installation will be different than for sloped roofs. The important consideration is proper use of the particular type specified.



Basement

If your house has a basement, look it over carefully. Concrete floor and walls should have a sound surface and if a drain is provided, the floor should have proper gentle slope toward the drain. A dry basement which will remain free of water penetration through walls and floor is highly important. Drainage of rainwater by good outside grading, provision for carrying water away from downspouts, and waterproofing of foundation walls should be in accordance with specifications.

Damp spots on walls or floor are not necessarily an indication of leakage. In humid areas, condensation will take place when inside and outside temperatures vary. A glass of ice water gives a practical example. Good ventilation of the basement, or brief periods of turning on the heating system may well eliminate such dampness.

Storage

Check to make sure you have ample storage space. In houses with no basement the builder usually provides for storage in the attic or in the utility room. If the storage is in the attic, it will take care of things like trunks, suitcases, and the like, but if you have children, don't forget you will need a place for the baby carriage, for tricycles, bicycles, etc.

Sewage Disposal

If you are buying a house that is located where there are public sewers, you will have little to worry about. If there are no public sewers, you will probably get a septic tank. Septic tank systems, if properly installed and maintained, should give no trouble. On new houses, the VA will require in most cases inspections to try and assure that the system is properly installed. On older properties, you should get advice from your health department or from people familiar with the neighborhood to find out whether septic tank systems in the area work properly.

Additional Notes About "Old" Houses

VA's requirements for previously occupied houses naturally cannot be as strict as for houses which are Government inspected during construction. Therefore, if you buy an "old" home, you should be absolutely sure the house is in sound condition. Get expert advice, if necessary, from some impartial person who has experience in housing construction.

If you find some defects in an old house the seller may be willing to make the repairs before you buy. If so, be sure to get a written agreement specifying what the seller will do before you obligate yourself to buy. (See p. 20.) If you are sure the defects can be repaired without too much expense, you may decide to take the house "as is." If so, then the best practice is to get estimates from reliable contractors on the cost of repairs *before* you buy.

The time and expense of getting expert advice is well worth while—you don't want to buy a house with termites, a leaky roof, a wet basement, a poor foundation, or defective floors, walls, or ceilings, without knowing exactly what you're getting into. Extensive repairs to correct such defects may be very expensive.

Checklist

The checklist that follows is to remind you of the principal items that generally should be considered in buying a home. It does not eliminate the need for reliable, sound advice, nor does it provide for special considerations arising from cost, climate, or personal desires and preferences such as style or architecture or inclusion of fireplace, recreation room, etc.

Veterans Checklist for Use in Buying or Building a Home

This checklist is offered to aid you in selecting your home. The list does not cover everything but does include the principal items which you should consider.

CHARACTERISTICS OF PROPERTY (Proposed or existing construction)

Neighborhood

Consider each of the following to determine whether the location of the property will satisfy your personal needs and preferences:

		Remarks
Convenience of public transportation	<input type="checkbox"/>	
Stores conveniently located	<input type="checkbox"/>	
Elementary school conveniently located	<input type="checkbox"/>	
Absence of excessive traffic noise	<input type="checkbox"/>	
Absence of smoke and unpleasant odors	<input type="checkbox"/>	
Play area available for children	<input type="checkbox"/>	
Fire and police protection provided	<input type="checkbox"/>	
Residential usage safeguarded by adequate zoning	<input type="checkbox"/>	

Lot

Consider each of the following to determine whether the lot is sufficiently large and properly improved:

Size of front yard satisfactory	<input type="checkbox"/>
Size of rear and side yards satisfactory	<input type="checkbox"/>
Walks provide access to front and service entrances	<input type="checkbox"/>
Drive provides easy access to garage	<input type="checkbox"/>
Lot appears to drain satisfactorily	<input type="checkbox"/>
Lawn and planting satisfactory	<input type="checkbox"/>
Septic tank (if any) in good operating condition	<input type="checkbox"/>

Exterior Detail

Observe the exterior detail of neighboring houses and determine whether the house being considered is as good or better in respect to each of the following features:

Porches	<input type="checkbox"/>
Terraces	<input type="checkbox"/>
Garage	<input type="checkbox"/>
Gutters	<input type="checkbox"/>
Storm sash	<input type="checkbox"/>
Weather stripping	<input type="checkbox"/>
Screens	<input type="checkbox"/>

Interior Detail

Consider each of the following to determine whether the house will afford living accommodations which are sufficient to the needs and comfort of your family:

Rooms will accommodate desired furniture	<input type="checkbox"/>
Dining space sufficiently large	<input type="checkbox"/>
At least one closet in each bedroom	<input type="checkbox"/>
At least one coat closet and one linen closet	<input type="checkbox"/>

- | | |
|---|--------------------------|
| Convenient access to bathroom | <input type="checkbox"/> |
| Sufficient and convenient storage space (screens, trunks, boxes, off-season clothes, luggage, baby carriage, bicycle, wheel toys, etc.) | <input type="checkbox"/> |
| Kitchen well arranged and equipped | <input type="checkbox"/> |
| Laundry space ample and well located | <input type="checkbox"/> |
| Windows provide sufficient light and air | <input type="checkbox"/> |
| Sufficient number of electrical outlets | <input type="checkbox"/> |

CONDITION OF EXISTING CONSTRUCTION

Exterior Construction

The following appear to be in acceptable condition:

- | | |
|-----------------------------|--------------------------|
| Wood porch floors and steps | <input type="checkbox"/> |
| Windows, doors, and screens | <input type="checkbox"/> |
| Gutters and wood cornice | <input type="checkbox"/> |
| Wood siding | <input type="checkbox"/> |
| Mortar joints | <input type="checkbox"/> |
| Roofing | <input type="checkbox"/> |
| Chimneys | <input type="checkbox"/> |
| Paint on exterior woodwork | <input type="checkbox"/> |

Interior Construction

- | | |
|---|--------------------------|
| Plaster is free of excessive cracks | <input type="checkbox"/> |
| Plaster is free of stains caused by leaking roof or sidewalls | <input type="checkbox"/> |
| Door locks in operating condition | <input type="checkbox"/> |
| Windows move freely | <input type="checkbox"/> |
| Fireplace works properly | <input type="checkbox"/> |
| Basement is dry and will resist moisture penetration | <input type="checkbox"/> |
| Mechanical equipment and electrical wiring and switches adequate and in operating condition | <input type="checkbox"/> |
| Type of heating equipment suitable | <input type="checkbox"/> |
| Adequate insulation in walls, floor, ceiling or roof | <input type="checkbox"/> |

The following appear to be in acceptable condition:

- | | |
|--------------------------|--------------------------|
| Wood floor finish | <input type="checkbox"/> |
| Linoleum floors | <input type="checkbox"/> |
| Sink top | <input type="checkbox"/> |
| Kitchen range | <input type="checkbox"/> |
| Bathroom fixtures | <input type="checkbox"/> |
| Painting and papering | <input type="checkbox"/> |
| Exposed joists and beams | <input type="checkbox"/> |

Are You Sure . . .

That the basement will stay dry after heavy rains?

That the foundations are sound?

That there has been no TERMITE damage?

You'd better get EXPERT ADVICE on the condition of existing construction, if you want to *be sure* the house is a good buy.

2

Costs of Home Ownership

One of the common errors made by some people in buying a house is to think that the only cost will be a small down payment plus monthly payments of principal and interest on the mortgage. It is important to keep in mind that there are other items which have to be paid which add up to a substantial outlay. Before you buy, be *sure* that your income is big enough to cover *all* of the costs which you will have to pay.

Initial Costs of Your Home

First, you must have sufficient cash to make the down payment, which is the difference between the purchase price and the amount of the loan which the lender will make to you.

Then you will have to pay for a number of items commonly called "closing costs." These costs, which can be substantial, will have to be paid in cash at the time the loan is made. They include, for example, an appraisal fee, cost of title search or title insurance (to be sure that your ownership will be "free and clear" except for the new mortgage), and a fee for recording your mortgage at the courthouse or county recorder's office.

Other closing costs to cover certain costs to the lender in making the loan (sometimes called "origination costs") if not paid item by item may be lumped into a charge equal to 1 percent of the loan amount (for example, \$100 on a \$10,000 loan).

You will also have to pay for insurance to protect the property against fire and other hazards such as windstorms. You may also have to pay part of the first year's property taxes.

Be sure you know in advance how much these closing costs will amount to, over and above the regular down payment.

In addition to the down payment and closing costs, don't forget to allow for any expenses you will have for moving and for furnishings and equipment at the time you move into your new home.

Future Costs of Home Ownership

The down payment and closing costs are payments you have to make when your loan is made. But they are only the initial costs. You must also be able to pay the future costs from your income, as follows:

- *Mortgage Payments.* You will be required to make regular monthly payments to cover interest and principal on the mortgage. This is the biggest item of monthly expense but it is by no means the only one.

- *Taxes and Insurance.* You will also have to pay future real estate taxes and assessments, and for insurance on the property (that is, insurance that will pay for losses due to fire or other hazards). Usually an amount to cover real estate taxes and insurance will be added to the monthly payment you make to the lender. You should bear in mind of course that your monthly payment may later have to be increased if real estate taxes or insurance costs should rise. Generally, however, such increases would not be expected to amount to more than a few dollars a month.

- *Heat and Utilities.* You will have to pay the heating cost and the utility bills. The amount of your fuel bill will vary, depending upon the climate, how well the house is insulated, etc. Utility bills for electricity, water, gas, and the like will likewise vary, depending on the extent to which your household uses them. In figuring whether you can afford to pay the expenses on the home you propose to buy, be sure to make adequate allowance for these items. Your lender will be able to help you figure out the probable amount of these costs. It might also be a good idea to check with other homeowners with similar houses in the area.

- *Maintenance.* Remember that like everything else your house will wear out as it gets older. To keep it in good shape don't forget that you will have to pay for the cost of maintenance and repairs. You will have to paint your home every few years. Your heating and electrical system will need repairs from time to time, you will have to replace equipment, and so on. If you are buying a well-built new home, these expenses should not be too large during the first 2 or 3 years, but will rise as your property gets older. You should seek advice from a qualified source as to the probable cost of maintenance, so that you can put aside a small amount each month for future maintenance expenses.

- *Other Debts.* If you already have other debts such as furniture or automobile payments, or if you will have to buy things for your home on an installment plan, be sure you can afford to meet such payments in addition to the other costs discussed above. Some home buyers run into serious trouble because they burden themselves with too many things for their new home on the installment plan. Don't let yourself be high-pressured into buying extras or expensive special equipment. These items may be desirable, but you should buy them *only* if you can pay for them without straining your ability to pay for your other housing and living expenses.

Before deciding to buy a house, get out your pencil and figure out carefully what your *total* monthly costs will be. The financing checklist on page 19 will help you on this.

There is no fixed rule which can determine how much an individual family can pay for total monthly housing expenses. However, it is usually considered desirable that the total estimated *monthly* housing expense should not be substantially higher than your *weekly* take-home pay. Thus, if your weekly take-home pay is \$80, the total monthly housing expenses (including all the expenses listed in the financing checklist below) should not usually be much more than \$80. It is a problem for each individual family to work out for itself. The main thing is to make sure that the monthly costs of your home won't strain your budget unduly. Generally, your lender will be able to advise you whether your income is high enough to qualify for a GI loan.

Another good check is to compare the total housing expenses you will have to pay with what you are now paying for rent or for the house you now own. If the new home you plan to buy or build will increase the monthly expense above what you are now paying, be doubly certain that you can pay the increased costs without too much strain.

Remember that you will have your GI loan entitlement available to you for a number of years. You do not have to use it immediately. If you are not sure you can handle the costs involved, in the light of your present and anticipated earning capacity, you should defer a home purchase until you are confident you can carry the total monthly cost, or else buy a less expensive home which you can afford.

A Financing Checklist

Relate these figures to your assets now and what you estimate you can pay for housing in the years to come.

Down payment	_____	Add these to get your TOTAL INITIAL CASH OUTLAY
Closing charges:		
Title search and clearance	_____	
Various legal fees	_____	
Other charges	_____	
TOTAL INITIAL COST.		_____
Size of monthly payment on mortgage	_____	
Monthly payments on taxes and assessments	_____	
Monthly payments on insurance	_____	
TOTAL MONTHLY PAYMENT		_____
Probable fuel cost (average per month)	_____	Add these to get your TOTAL MONTHLY COST
Probable monthly utility cost (lights, water, gas, etc.)	_____	
Estimated monthly upkeep and repair expenses	_____	
TOTAL MONTHLY COST.		_____

This (the total monthly cost) is the figure you should compare with your weekly or monthly pay. Study carefully to make sure that you will be able to pay the total monthly cost out of your income and still have enough left to meet all the other items in your family budget.



3

The Contract of Purchase

When you have decided to buy, the builder or seller will usually require a cash deposit as evidence that you really intend to go through with the deal. Make sure when you make such a deposit that you get a signed agreement from the seller providing for a refund of your deposit if you are unable to obtain GI financing, or if the builder or seller fails to go through with his part of the agreement. You may also expect to be requested to agree that if you fail to go through with your part of the agreement, you will forfeit your deposit. Such clauses are customary and usual in sales agreements. Be sure that you know the person to whom you are making the payment is reliable. Some veterans have lost their deposits to persons who were dishonest or went bankrupt.

The seller will also expect you to sign a document when you have decided to buy, usually a sales contract. The sales contract is a written agreement by which the seller agrees to sell to you and you agree to purchase the property. A proper sales contract should contain the provisions listed below. But bear in mind that the provisions listed below are by no means **complete**. Bear in mind also that the sales contract is a legal document containing legal terms which are hard for the average person to understand. Make sure you do understand everything that is in the contract before you sign. Any of its provisions may be vital to your interests.

The best way to protect yourself is to get competent advice from a lawyer or someone who understands legal details and the requirements in your area. The VA is not authorized to perform that service for veterans.

Your sales contract should cover the following points:

- The sales price should be specified in the contract. For your protection it usually is best if the contract states that the sales price is not subject to change. Some contracts contain a so-called "escalator" clause which permits the builder to increase the price because of future cost increases. A contract without an "escalator" clause may be the best from your point of view, but for many reasons the builder may not be willing to build without such a clause. If the builder insists upon such a clause you should recognize that it will give him the right to increase the price to you subject to whatever conditions may be stated in your contract.
- The sales contract should state the amount of cash payment which will be required from you and the manner of financing the balance. If the contract requires that you must arrange to obtain the loan for the balance

due, it should provide that any cash deposit you make will be refunded to you if you cannot obtain a VA-guaranteed loan within a stated period of time.

- The contract should require the seller to deliver the property to you on or before an agreed date. The contract should set forth your right to withdraw and get your deposit back if the property is not delivered on time.
- In the case of new construction, the contract should provide that the builder will complete the home in accordance with definite plans and specifications. The plans and specifications describe the type of house that will be built, the dimensions, the type of material which will be used, and other details.
- Before you sign the contract you should review the plans and specifications to which the contract refers, or have someone do it for you. The average person is not ordinarily able to read the meaning of a set of plans and specifications or to determine their adequacy, or to judge later whether the actual construction is being done in accordance with those plans and specifications. Before you sign the contract you would do well to have some trained person review the plans and specifications for you. If copies have been filed with VA, VA will do its best to see that the actual construction conforms with such plans and specifications, but the VA does not undertake complete supervision of the construction for you. You will commonly find that either you or the builder will want to make a change from the original plans and specifications as to one detail or another as the building progresses. Those things are matters to be arranged between the builder and yourself. VA will require commonly that many of such changes be submitted to VA for approval, but that approval concerns only whether the change conforms to VA construction requirements or requires VA to adjust the valuation it has placed on the property.
- If you do not get a copy of the plans and specifications before you sign the contract, you should make sure that you will have the right to look them over again at any time at a designated place. Normally, the builder will cooperate in allowing you to examine the plans and specifications, and may furnish you a copy. If the contract identifies the plans and specifications as those filed with the Veterans Administration, VA will give you access to them in case the need arises.
- The contract should contain a provision determining who will be responsible for the property from the date of the contract to the date when the house is delivered to you. The builder or seller usually takes this responsibility.
- If you are buying a new house, it is desirable to have indicated in the contract (or by separate written agreement) what responsibility the builder will assume after you move in. (See discussion of builders' responsibility on pages 25 and 26.)
- You should avoid signing any paper which is merely an offer to purchase. Furthermore, you should not sign any contract containing a so-called

"safety" or "escape" clause which would enable the builder or seller to back out of the contract any time he wants to unless you also have similar rights. If you do sign such a paper, make sure it specifies that the builder or seller must advise you in writing on or before a definite date that he will accept or that your offer will expire and you will be free to get your money back.

It should be emphasized again that these are just some of the things that a prospective homeowner should be careful about in signing his sales contract. Legal documents are often complicated things and there is no substitute for competent advice from somebody you can trust who knows about such things. You may save yourself a lot of future complications if you get such advice.

4

Final Settlement

or

Closing the Loan

After the house is ready and the financing has been arranged, the lender will set a date for "settlement" or "closing." Settlement day is the day when the property officially becomes yours. You will also remember it as the "paper-signing day." Among the papers you will sign is the note, bond, or other evidence of the debt which is used in your area. This document is your promise to repay the loan with interest within a specified period of time, and will show the repayment terms. You will be liable for such payment until the debt has been paid in full.

Another of the papers you will sign is the "mortgage" or "deed of trust." It describes the security for the loan. Most of this document is devoted to outlining what rights the lender has to enforce payment of the debt (including his rights to "foreclose the mortgage") should you fail to make prompt payment of interest, principal, taxes and insurance, or neglect the property so that it is not in a good state of repair. This document is recorded with the county clerk (or other proper official) in the county, town, or city in which your property is located. It remains on record there as a lien or claim against your property until the loan has been paid off.

At settlement, you will receive important papers for your files, such as receipts for the payments you make, or a copy of the survey showing the boundaries of your property, and perhaps evidence showing your title although this probably will be held by the lender. You may also receive a copy of the deed, or other evidence that you have purchased the property, although this document may be sent instead direct to the proper local official for recording.

You will have to sign your name to various documents on settlement day. Even if it takes a little longer, be sure you understand what you are signing.

The lender or title company representative will help you understand the legal terms. Do not be afraid to ask questions.

It is a good idea to have a lawyer or someone who understands such matters attend the closing with you.

At settlement, you should receive an itemized statement showing the amounts you owe for the down payment and for other settlement costs, and any amounts

you have already paid. VA regulations place certain limitations on the fees that may be charged. In general, you should expect your settlement charges to include those which were mentioned on page 17 of this pamphlet.



5

Before and After Moving Day

Soon after final settlement you will move into your new home. Before you move in, you should check the house carefully to be sure that it is in good condition, and that the builder or seller has finished up everything he has promised to do. For additional information on some of the things you should look for see pages 6-15.

If you are buying a new house, you may make an agreement with the builder to move in before all outside work is completed. For example, the builder may not be able to complete the driveway or walks because of cold weather. In such cases, however, it is important that you have a clear understanding—in writing—that any uncompleted work of this sort will be properly completed. It is usually desirable to check with your lender, or with the VA office.

When you first move into a house, you may have to do a certain amount of touching up, some of which may be the result of your moving in. After that, if you have a new house, your maintenance expenses should be very little for the first 2 or 3 years.

You should find out from your builder whether any new equipment (heating plant, refrigerator, washing machine, etc.) carries manufacturer's guarantees; if so, he will tell you who to call in case you need any service. Read and carry out any instruction sheets that may be supplied to you on how to use and maintain properly each piece of equipment.

For valuable advice on home care and maintenance it may pay you to get a copy of a publication on this subject, entitled, "Care and Repair of the House." This booklet can be secured from the Superintendent of Documents, Government Printing Office, Washington 25, D. C., for 50 cents.

In general, once you buy your home you will have to pay for future repairs and upkeep, such as outside and inside painting and decorating and maintenance of the heating system and other equipment. However, when you buy a new home a responsible builder will generally agree to correct defects due to poor material or workmanship within a limited period after you move in. If at all possible you should get the builder's agreement in writing as to what he is willing to do.

In some areas builders have agreed to be responsible during the first year of ownership for major items, such as the following:

- To see to it that the heating unit operates and heats properly.
- To maintain your roof and roof flashings (strips of metal found around chimneys, etc.) against leaks.
- To correct a wet basement due to pressure or seepage.
- To see that the septic tank operates properly, if you have one.

The builder of a new house also usually assumes responsibility during the first month or two after you move in for other items needing correction in new homes. Some of these items may be: cracks in the masonry work; opening or spreading of woodwork joints; improper operation of doors, cabinets, and windows; water leaks at windows or doors; exterior paint blistering or peeling; settlement of ground around your foundation; tile in your bathroom or kitchen cracking or pulling away from the tub or sink; dampness, as distinguished from actual water, developing in your basement; excessive floor shrinkage or swelling.

In all cases where you find flaws have occurred which need attention, you should notify the builder and give him a reasonable period of time to make any needed corrections. You should expect friendly cooperation from the builder and in turn you should take the same attitude toward him. It may hurt your own interests to ask for any work or repairs to which you clearly are not entitled as it may affect his readiness to do the things to which you are entitled, or which may be of the borderline variety. If you feel that defects have showed up on your house which the builder should take care of and he has failed to respond to your requests that they be corrected, you may write in detail about these items to the Loan Guaranty Officer of the VA regional office. The VA office will review your protests and advise you regarding any assistance they are in a position to give you. Remember, however, that the VA is neither authorized nor permitted to guarantee that you will be completely satisfied with your house, or that any specific defect will be corrected.

If you buy a house which has previously been occupied, there is generally no action you can take against the former owner to get him to correct any defects which may develop. That makes it even more important to be sure that the house is in proper condition before you buy. For further comment on this subject, see page 13.

6

GI Loan Must Be Repaid

A GI loan has many advantages to the veteran, including down payments well below those required on other mortgage loans, and low monthly payments because of the low interest rate and the long period allowed for repayment (see page 28).

But you must realize that you are obtaining a loan from a private lender which must be repaid, just as you must repay any money you borrow. The VA guaranty, which protects the lender against loss, encourages him to make a loan with terms favorable to the veteran. But if you fail to make the payments you agree to make, you may lose your home through foreclosure, and you and your family would probably lose all the time and money you had invested in it.

Furthermore, if the lender takes a loss the Veterans Administration must pay the guaranty to the lender, and the amount paid by VA must be repaid by you. Payment by VA of any compensation, pension, or insurance dividend to which you may be entitled, now or in the future, may be withheld in whole or in part until such debt is repaid.

Remember, it is most important to you that you make each regular mortgage payment on the date it is due. If at any time you are unable to make a payment on schedule, get in touch with your lender immediately. He may be able to help you avoid getting into serious difficulties.

What VA Does for the Home-Buying Veteran

VA guarantees part of your loan—that helps you to get a GI loan featuring:

- A low interest rate.
- A small down payment.¹
- A long amortization or repayment period (up to 30 years).
- A cash gratuity not exceeding \$160.
- Assurance that you can pay off all or part of the loan in advance without penalty.

VA appraises the house to make sure the price you pay is not excessive in the housing market prevailing at the time the appraisal is made.

VA makes available an inspection service in most cases on proposed new houses to see that the house:²

- Meets accepted standards of good construction.
- Conforms to the plans and specifications on which VA's appraisal is based.

VA will try to assist you in getting a builder to correct any defects about which you justly complain.

¹ The GI loan law itself permits the guaranty of loans with no down payment by the veteran, provided of course, that the lender is willing to make the loan for the full amount of the purchase price.

² As an alternative to its own inspection procedure, VA accepts the inspection findings of the Federal Housing Administration.

What VA Does NOT Do

VA does not have the legal authority to:

- Act as your architect. It does not supervise all details of the house you buy.
- Guarantee that the house is free of defects.
- Act as your attorney. It cannot give you legal services if you run into trouble in buying or constructing your home.

VA cannot compel a builder to remedy defects in construction or otherwise compel him to live up to his contract with you.

VA cannot guarantee that you will be completely satisfied with the house, or that you can resell it at the price you paid.

VA cannot guarantee that you are making a good investment. That is a decision which only you can make.



***If You Have Further Questions About GI Loans,
Communicate With Your Lender,
or With Your Veterans Administration Regional Office***

***20 Washington Place
Newark 2, New Jersey***